

Message Text

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44

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02

H-01 /068 W

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R 280709Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0945

INFO AMEMBASSY KUALA LUMPUR

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USADB

TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 2/28/76

TAGS: EAID, EFIN, Y

SUBJECT: INCREASE IN AUTHORIZED CAPITAL STOCK AND INCREASE IN
CAPITAL SUBSCRIPTION OF MALAYSIA

SUMMARY: GOVERNMENT OF MALAYSIA HAS REQUESTED INCREASE
IN ITS CAPITAL SUBSCRIPTION, WHICH WOULD INCREASE
MALAYSIA'S SHAREHOLDING FROM 2.1773 PERCENT TO 4.2618
PERCENT OF TOTAL SUBSCRIBED CAPITAL. PRESIDENT RECOMMENDS
REQUEST TO BE ACCEPTED AND THAT BANK'S AUTHORIZED
CAPITAL STOCK BE INCREASED TO COVER PROPOSED ADDITIONAL
SUBSCRIPTION. BOARD OF DIRECTOR WOULD CONSIDER ABOVE
ACTION ON MARCH 18. NAC GUIDANCE IS REQUESTED.

1. ADB DOC. R16-75 ON ABOVE SUBJECT FORWARDED FEB. 28
WILL BE CONSIDERED BY BOARD OF DIRECTORS MAR. 18.

2. IN LETTER DATED FEB. 7, 1975, GOVT OF MALAYSIA
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REQUESTED ADDITIONAL CAPITAL SUBSCRIPTION OF 5,000

SHARES, WHICH AMOUNT TO \$50,000,000 (IN 1966 US DOLLARS) AT PAR VALUE OF \$10,000 PER SHARE. PARA 3 OF ART. 5 OF ADB CHARTER PROVIDES THAT BOARD OF GOVERNORS SHOULD PAY SPECIAL REGARD TO REQUESTS FOR CAPITAL INCREASES BY REGIONAL MEMBER WITH LESS THAN SIX PERCENT OF SUBSCRIBED CAPITAL. MALAYSIA'S PRESENT SHARES TOTAL 5,000 SHARES (CONSISTING OF 2,000 SHARES OR ORIGINAL CAPITAL STOCK AND 3,000 SHARES OF CAPITAL INCREASE UNDER RESOLUTION NO. 46) OR REPRESENT 2.1773 PERCENT OF TOTAL SUBSCRIBED CAPITAL OF 22,641 SHARES.

3. IN AGGREGATE, SHAREHOLDINGS OF MEMBERS CONTRIBUTIONS TO ORIGINAL CAPITAL SUBSCRIPTION AND CAPITAL INCREASE COMPRISE 32 PERCENT PAID-IN SHARES AND 68 PERCENT CALLABLE SHARES. OF PAID-IN PORTION 46.25 PERCENT IS PAYABLE IN GOLD OR CONVERTIBLE CURRENCY AND 53.75 PERCENT IN NATIONAL CURRENCY. BANK RECOMMENDS (AND MALAYSIA IS AGREEABLE TO) APPLYING SAME PROPORTIONS TO MALAYSIA'S PROPOSED ADDITIONAL SUBSCRIPTION, WHICH IS SAME BASIS USED FOR KOREA'S 1973 CAPITAL INCREASE AND INDONESIA'S PENDING REQUEST. THUS, THERE WOULD BE 1,600 PAID -IN SHARES AND 3,400 CALLABLE SHARES (EQUIVALENT TO \$16.0 MILLION AND \$34.00 MILLION RESPECTIVELY), WITH \$7.4 MILLION OF PAID-IN PORTION PAYABLE IN GOLD OR CONVERTIBLE CURRENCY AND \$8.6 MILLION PAYABLE IN MALAYSIAN NATIONAL CURRENCY. SUBSCRIPTION PAYMENTS WOULD BE IN FOUR EQUAL ANNUAL INSTALLMENTS , I.E., SIMPLE AVERAGE OF TWO PAYMENTS PERIODS UNDER ORIGINAL CAPITAL SUBSCRIPTION AND CAPITAL INCREASE.

4. PRO-FORMA STATEMENT OF VOTING POWER BASED ON PROPOSED CAPITAL INCREASES BY MALAYSIA AND INDONESIA SHOWS THAT HOLDING OF THESE TWO MEMBER COUNTRIES WILL INCREASE TO 6.930 PERCENT AND 3.709 PERCENT RESPECTIVELY. PRO-FORMA U.S. POSITION WOULD BE 6.930 PERCENT , AS COMPARED TO 6.819 PERCENT NECESSARY FOR A NON-REGIONAL MEMBER TO RETAIN A DIRECTOR'S CHAIR WITHOUT SHARING IT WITH OTHER MEMBERS.

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5. TO MEET PROPOSED ADDITIONAL SUBSCRIPTION, BANK PROPOSES TO INCREASE AUTHORIZED CAPITAL, AS NO PORTION OF PRESENT UNSUBSCRIBED AUTHORIZED CAPITAL IS AVAILABLE FOR THIS PURPOSE. ATTACHED TO DOC. R16-75 IS DRAFT REPORT OF BOARD OF DIRECTORS TO GOVERNORS RECOMMENDING (A) INCREASE IN BANK'S AUTHORIZED CAPITAL BY 5,000 SHARES AND (B) ACCEPTANCE OF MALAYSIA'S APPLICATION FOR CAPITAL INCREASE ON TERMS AND CONDITIONS

MENTIONED ABOVE AND SPELLED OUT IN DRAFT RESOLUTION.
CABLE VOTE OF GOVERNORS WOULD BE REQUESTED ON OR BEFORE
28 DAYS AFTER DATE ON WHICH PRESIDENT TRANSMITS TEXT
OF RESOLUTION TO GOVERNORS. NAC GUIDANCE IS REQUESTED.
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Message Attributes

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Margaret P. Grafeld
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